

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7343

BILL NUMBER: HB 1374

NOTE PREPARED: Mar 25, 2013

BILL AMENDED: Mar 19, 2013

SUBJECT: Customer-Generator Facilities.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR: Sen. Hershman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Utility Property Tax Reporting:* This bill provides that certain companies that:

- (1) ordinarily would be subject to taxation under the Indiana Code chapter concerning property taxes for public utilities; and
 - (2) own definite situs property that is located in only one taxing district;
- may elect to file a personal property tax return for the definite situs property with the county assessor or (if applicable) the township assessor, instead of filing a return for the definite situs property under the Indiana Code chapter concerning property taxes for public utilities.

The bill provides that the following taxpayers are not subject to filing a state personal property tax return for certain utility property:

- (1) A company that:
 - (A) owns definite situs property that is located in only one taxing district; and
 - (B) files a personal property tax return for the definite situs property with the local assessor.
- (2) A taxpayer that:
 - (A) is participating in a net metering program or in a feed-in-tariff program offered by a light, heat, or power company; and
 - (B) files a personal property tax return for the property with the local assessor.

Powerplant Construction: The bill also provides that certification requirements for utility powerplant construction do not apply to a joint agency of two or more municipal utilities.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Utility Property Tax Reporting:* This provision could slightly reduce the administrative burden for the Department of Local Government Finance (DLGF). Property owners who participate in a net metering or feed-in-tariff program would no longer file utility tax returns with the DLGF. Additionally, certain other utility property owners might elect not to file utility tax returns in favor of business personal property tax returns.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Utility Property Tax Reporting: Summary:* This provision likely would have only a minor impact on the assessed value of property owned by certain utilities. Depending on the specific property's cost, federal depreciation life, and age, this bill could cause a slight increase, a slight decrease, or no change in any given year for any given taxpayer.

Under this bill, utility property owned by taxpayers who participate in a net metering or feed-in-tariff program would be reported as business personal property rather than as utility property. Also, the owners of other utility property that consists only of definite situs property that is located in one taxing district could elect to report the property as business personal property.

Background: Under current law, utility-owned personal property is reported on the UD-45 tax return and filed with the DLGF. The DLGF distributes the AV by taxing district. Utility assessed value is based on federal depreciated value, with an assessment floor equal to 30% of total cost.

On the other hand, business personal property is valued according to a depreciation schedule as specified in the DLGF's personal property assessment rule. Most taxpayers list the cost of depreciable property in one of 4 "pools", depending on the declared useful life of the property. Each pool has a different set of depreciation rates for each year of age of the property. The asset cost is multiplied by the appropriate "percent good" factor in the depreciation schedule to produce the total true tax value (TTV) of the assets. The TTV of all of a taxpayer's depreciable property located in the same taxing district must be at least 30% of the total cost of the property (30% floor).

There could be a difference in assessments under the two methods. Either method could produce a higher or lower assessment than the other in any given year for any taxpayer. Unless additional investment is made as the property ages, the assessment will drop to the 30% floor under both methods and would be the same at that time.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors.

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